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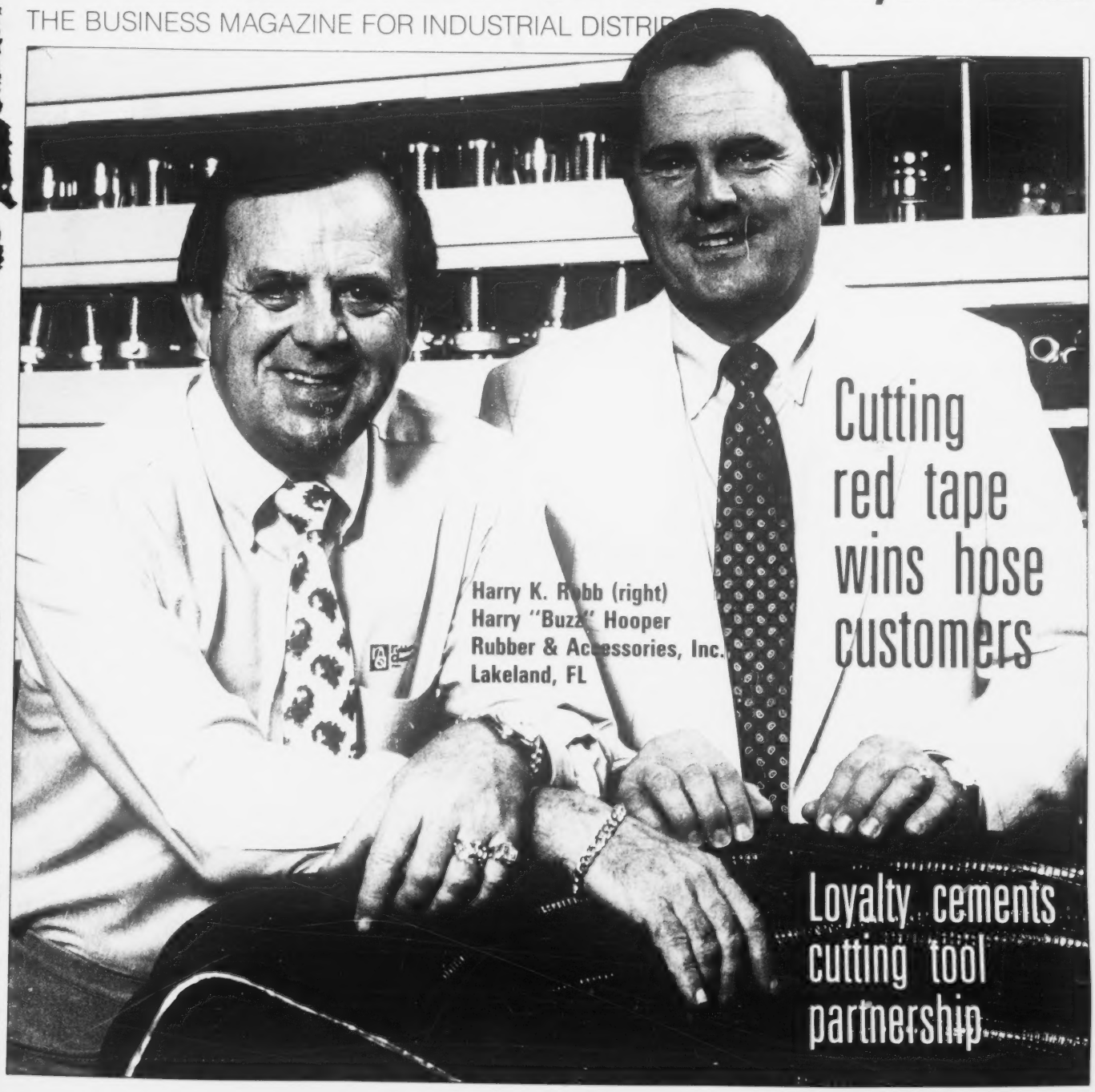
MARCH 1990
A CAHNERS PUBLICATION

Industrial Distribution

THE BUSINESS MAGAZINE FOR INDUSTRIAL DISTRIB

SPECIAL:

Hose and Accessories Buyer's Guide



Cutting red tape wins hose customers

Harry K. Robb (right)
Harry "Buzz" Hooper
Rubber & Accessories, Inc.
Lakeland, FL

Loyalty cements cutting tool partnership

Industrial Distribution

THE BUSINESS MAGAZINE FOR INDUSTRIAL DISTRIBUTORS

VOL. 79, NO.3 MARCH 1990 A CAHNERS PUBLICATION

Harry Hooper (left) and Harry Robb give customer needs personal attention.

Cover photography by Florida Fotobanc, Inc.

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Running a lean operation makes it easy for customers to buy which, in turn, has helped to generate growth for Rubber & Accessories, Inc.

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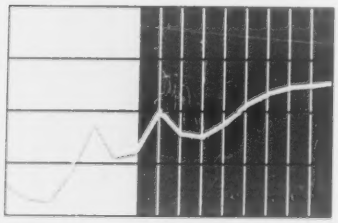

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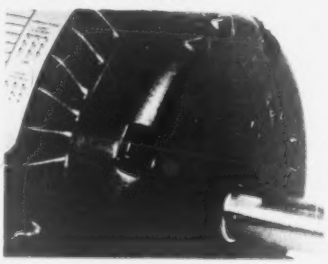

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BUSINESS REPORT

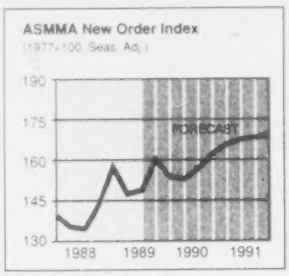
BY KRIS BLEDOWSKI

Expansion slow until 3rd Q

Overall 1990 growth projected at 2.4%

The national economy has been slowing for a full year now, even though the general indicators have only recently shown signs of weakening. Industrial production has grown in the last three months but manufacturing utilization has been going down. It peaked in January, 1989 at 84.7%. In January of this year it stood at 83.1%. While the service sector has been performing better than the average, manufacturing has been sluggish. Distributors should anticipate further weakness in the industrial sector, at least through the middle of this year.

The national I.D.A. index fell 9.8 points in the fourth quarter but was still 10.7 points above the corresponding period a year before. The average growth rate for 1989 was 11.9%. We forecast sales to climb 2.4% this year and 6.3% in 1991.



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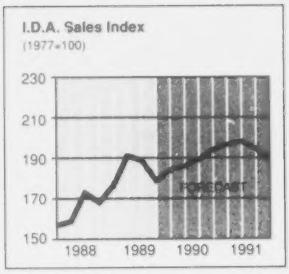
Forecast source: Cahners Economics



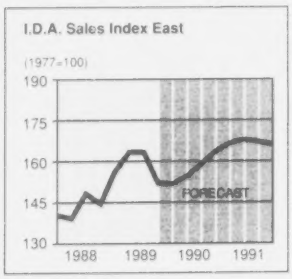
Data source: I.D.A.
Forecast source: Cahners Economics

The Eastern Region registered consecutive monthly sales declines through the fourth quarter. Sales in this region suffered from a general weakness of aerospace in New England. Our forecast calls for growth of 5.3% this year and 5.5% in 1991.

The Central Region held a steady growth path in the fourth quarter. I.D.A. sales picked up in this period, gaining 7.2% over the third quarter. In December, sales were up 23.9% over the same month a year before. The growth rate will decrease marginally, from 10.8% in 1989 to 5.4% this year, then is expected to rebound to 7.8% in 1991.

Growth in the South advanced to a rate of 7.3% in the fourth quarter. On an annual basis, this region was up 10.8%. The booming heavy industries of the Mid-West and South strengthened industrial distributor sales in 1989 and the prospects for the next two years are moderately good. Our forecasts remain 5.4% this year and 7.8% in 1991.

Sales in the West plummeted 8.9% in the fourth quarter compared to the same period a year ago. However, on an annual basis, I.D.A. figures were 5.8% higher in 1989 than in 1988. To offset the strong pace of construction, manufacturing is going to suffer in the first half of this year, delaying the recovery. Our forecast calls for a gain of 4.9% this year and 6.9% in 1991. □



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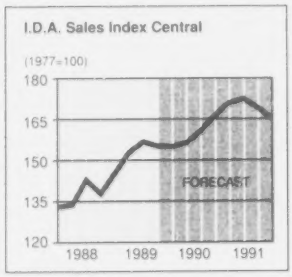

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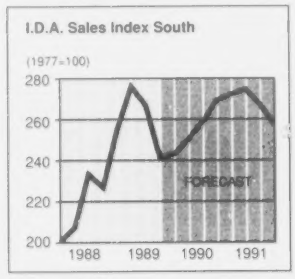

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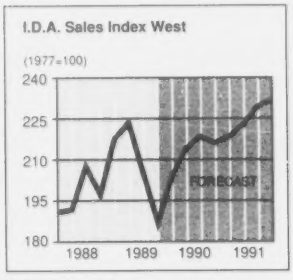


Data source: I.D.A.
Forecast source: Cahners Economics

(1977=100)	SALES Dec. 1989	SALES Nov. 1989	SALES Dec. '89 vs Dec. '88 % change	RECEIVABLES Dec. 1989 days	INVENTORY Dec. 1989 % change
TOTAL	171.6	189.8	11.9	44.6	−0.4
EAST	143.7	154.3	11.0	52.6	−1.3
SOUTH	231.1	243.6	19.7	41.0	+0.2
CENTRAL	148.8	174.6	11.5	44.5	−0.1
WEST	180.0	191.3	5.8	39.9	−0.2

SOURCE: Industrial Distribution Assn.

SUPPLY OUTLOOK

BY KRIS BLEDOWSKI

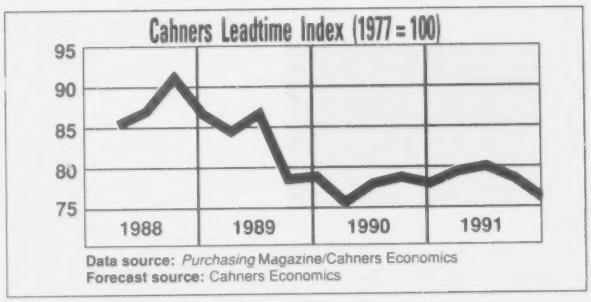
Strong second half

Leadtimes will continue to shorten

For each month since May 1989, Cahner's Leadtime Index of 125 Industrial Materials has been lower than previous year numbers.

The January 1990, indexwas 17% below the January 1989 number. This was because 84% of the 125 materials covered in the survey had shorter leadtimes than they had one year earlier. Over 80% of the materials in the survey had shorter leadtimes in January, 1990 than in December, 1989.

Clearly, these numbers indicate that the economy's record 8 year growth streak is feeling its age. But will it falter?

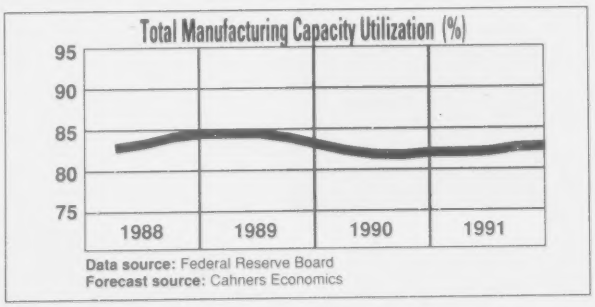


Probably not. Cahners Economics continues to forecast slow, but positive, real growth for 1990. While the first half of the year will be weak, expect the economy to strengthen after mid-year.

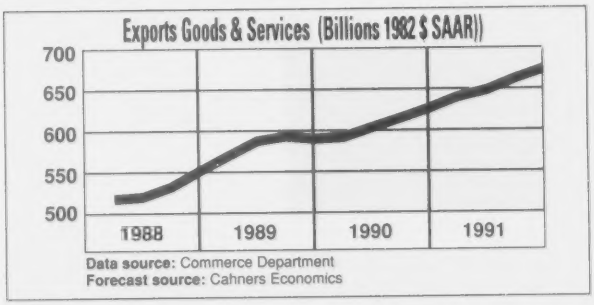
Distributors will notice that most manufacturers will adjust inventories in early spring in anticipation of production expansions. Exporting industries will expand first, followed by consumer and industrial component markets.

As a result, expect leadtimes to stretch slightly in the third quarter, but not enough to reverse the downward trend. Look for delivery times to decline 5.5% this year, with very little change in 1991.

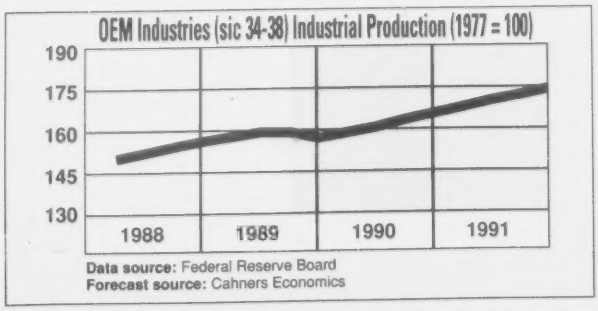
The industrial materials and components industries will outpace general manufacturing in 1990, as the low level of the dollar boosts exports. Output of plastic products will be very strong, rising 6.4% this year. Chemicals will not be far behind, posting a 5.1% gain in production. Paper production will also see a healthy increase of 3.8%, while the output of electronic components sags 2.2%. Growth in the machinery and equipment markets will slow as the strong investment levels of the past few years are slashed. OEM production will rise 2.4% and the output of machinery will inch up 2.7%.



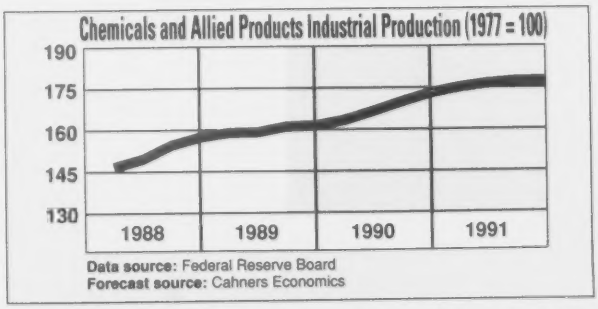
Capacity utilization will hover near 82% in '90, and pick up slightly in '91.



The dollar will change very little in international markets this year, helping exports to continue their solid growth.



OEM industries will follow other durable goods sectors, inching up only 2.4% this year. Next year will be better.



Chemicals will be one of our strongest industries in '91, with output surging 5.1%. Exports will lend this sector strength.

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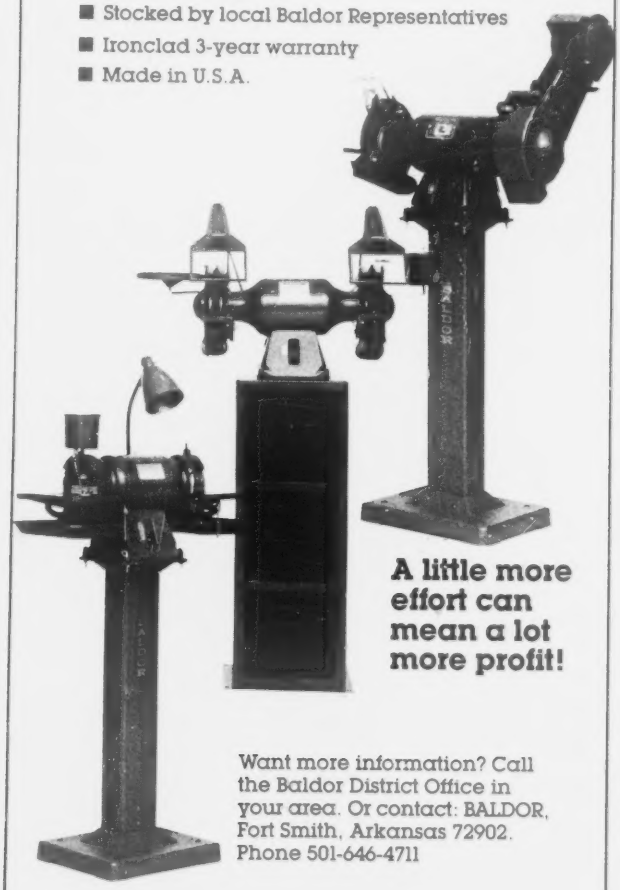

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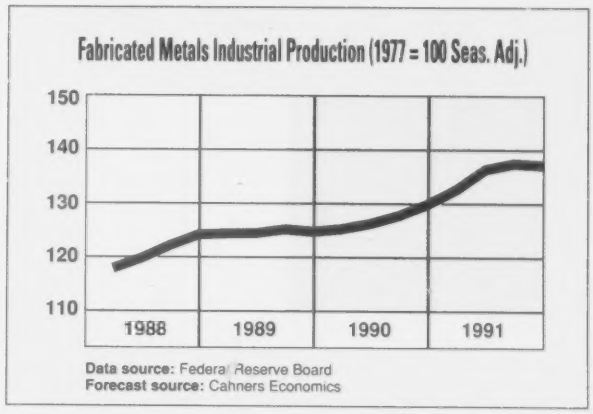
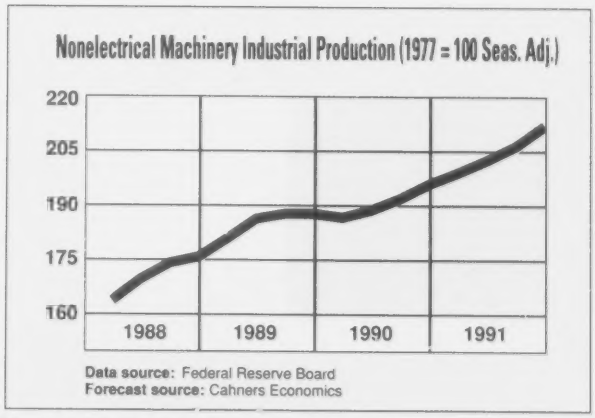
SUPPLY OUTLOOK

Durable goods to make slow progress in 1990

Industrial production of durable goods used by manufacturing will be stifled by cuts in investment this year. OEMs will increase output only 2.4%, down from a 6.7% jump in 1988. Production of non-electrical machinery (which covers categories like machine tools and metalworking machinery) will creep up by 2.8%, while output of fabricated metals inches up 2.1%. Some sectors of fabricated metals will be strong; output of hardware tools will jump by 7.2%. Expect production of structural metal products to gain 2.8%, while the output of fasteners and stampings slides 0.2%. □



Output of fabricated metals will be slow this year, but economic strength in 1991 will boost levels by 6.8%.



The broad category of non-electrical machinery will inch up by 2.8% in 1990, but will perform well in 1991.

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